



The Washington Utilities and Transportation Commission

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State regulators scale back rate hike for Verizon's local telephone customers
New rates take effect May 1 and do not apply to wireless customers

OLYMPIA, Wash. – A local telephone rate hike for Verizon customers was scaled back today under an agreement approved unanimously by state regulators.

Basic local phone rates for residential and business customers that were set to climb almost \$10 a month in the company's original proposal have been rolled back to \$2.43 monthly by the Washington Utilities and Transportation Commission (UTC). The commission does not regulate wireless, cable telephone, long-distance or Internet phone service. New rates will go into effect beginning May 1.

The UTC adopted a proposed settlement that gives Verizon permission to raise local telephone rates for residential and business customers over a two-year period. Almost all Verizon phone customers would pay \$2.43 more a month beginning May 1 and an additional \$1.47 a month starting July 1, 2007. The settlement also resolved another dispute of long-distance carriers by scheduling a reduction in access charges imposed by Verizon. Together with increased charges for some other services, Verizon will receive \$38.6 million on a net basis over a three-year period. Verizon, which hadn't sought a local phone-rate increase for more than 22 years, has agreed not to seek any additional rate hike for two years.

"The commission commends the parties for bridging their differences in this very difficult litigation and achieving a settlement proposal that is unopposed by any party," said the three-member panel in their written decision.

Last April, Verizon had originally asked for \$220 million in new annual revenues, which it subsequently lowered to \$110 million. Verizon's proposal called for local telephone rates to go up by \$9.80 a month – from \$13 to \$22.80 for residential customers, while business users would have paid \$39.80 monthly, up from \$29.70 presently.

In addition to the hike in basic telephone service, the settlement also allows Verizon to raise rates for a variety of discretionary services and to impose a late-payment fee. Directory-assistance calls will increase to \$1.25 from 90 cents for each requested phone number.

Customers will no longer receive a monthly allotment of free directory-assistance calls, two for residents and one for businesses. Charges for custom-calling services, such as call waiting or call forwarding, will be \$.20 to \$.30 more a month. Additional phone-directory listings will rise by \$1 a month to \$1.55. A new late-payment fee will charge the greater of 1.5 percent of any unpaid balance, or a \$2.50 minimum charge for residential customers.

In its order, the commission expressed concern about the substantial increase in late-payment charges because of the potential impact on people with low or fixed incomes. The commission elected to increase the cost for late-payment charges rather than raise local phone rates for all Verizon residential and business customers.

“We chose increases for discretionary services, reasoning that all customers need the basic services, so all will benefit from lower monthly rates for basic service,” said the commissioners. “On the other hand, not all customers call directory assistance or make late payments.” The UTC is requiring the company to monitor the effect of the late-payment fee on customers and report back to the commission next year.

“We are keenly aware of the obligations and the stresses on persons of low and fixed incomes face in times of rising prices for energy and other services,” said the commissioners. “We are interested in whether the charge reduces the number or proportion of late payments, and whether imposition of the charge increases the disconnection rate.” The UTC is requiring that the late-payment fee end in 2007 subject to extension upon approval by the commission.

Verizon Northwest, UTC staff members, three consumer-advocate groups and the Public Counsel division of the Attorney General’s Office submitted the settlement to the commission on Feb. 23.

The agreement becomes effective six calendar days from now if no party objects to the decision. Verizon has 10 calendar days to file for reconsideration of the case with the commission, or the company could appeal the ruling to any county Superior Court in which it provides service in Washington.

The commission has received more than 2,100 public comments statewide, all but four opposed to the proposed \$9.80 phone-rate hike.

Verizon, formerly known as GTE, is the second-largest local telephone provider in Washington, serving 851,000 phone lines in cities such as Redmond, Kirkland, Everett, Bothell, Woodinville, Wenatchee, Kennewick, Pullman, Chelan, Richland, Naches, Westport, Lynden, Anacortes, Mount Vernon and Camas-Washougal, Newport, Oakesdale, and Republic.

Editor’s note: A copy of the commission’s decision is available at the WUTC’s website: www.wutc.wa.gov/040788 or 040520.

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